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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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**FORM 8-K**

**CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

**DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): AUGUST 7, 2000**

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**UNIVISION COMMUNICATIONS INC.**

(Exact Name of Registrant as Specified in its Charter)

**DELAWARE**

(State or Other Jurisdiction of Incorporation)

COMMISSION FILE NUMBER: 001-12223

I.R.S. EMPLOYER IDENTIFICATION NUMBER: 95-43981

**1999 AVENUE OF THE STARS, SUITE 3050  
LOS ANGELES, CALIFORNIA**

(Address of Principal Executive Offices)

90067  
(Zip Code)

TEL: (310) 556-7676  
(Registrant's Telephone Number, Including Area Code)

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**UNIVISION COMMUNICATIONS INC. AND SUBSIDIARIES**

**ITEM 2. ACQUISITION OF ASSETS**

On August 7, 2000, the Company converted its \$120,000,000 convertible promissory note into an approximate 20% equity interest, on a fully diluted basis, in Entravision Communications Corporation ("Entravision"), which began trading on the New York Stock Exchange on August 2, 2000. Furthermore, on August 7, 2000, in connection with Entravision's initial public offering, the Company invested an additional \$100,000,000 to purchase approximately an additional 6%

equity interest in Entravision on a fully diluted basis. The Company provided the funding for this transaction by borrowing \$60,000,000 from its Revolving Credit Facility and with cash from operations of \$40,000,000. Consequently, the Company has an investment in Entravision of \$220,000,000 and an approximate 26% equity interest in Entravision on a fully diluted basis. Andrew W. Hobson, Executive Vice President of the Univision Network, and Michael D. Wortsman, Co-President of Univision Television Group Inc., are members of the board of directors of Entravision.

### SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNIVISION COMMUNICATIONS INC.  
(Registrant)

By: /s/ GEORGE W. BLANK

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George W. Blank  
EXECUTIVE VICE PRESIDENT AND  
CHIEF FINANCIAL OFFICER

August 11, 2000  
Los Angeles, California

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End of Filing

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Corporate Headquarters  
26 West 56th Street  
New York, New York 10019  
212/541-9200  
Telefax 212/541-6904

December 16, 1996

Raúl Alarcón Jr.  
President

Mr. Stu Olds  
Katz Communications, Inc.  
125 West 55th Street  
New York, NY 10019

**Re: Letter Agreement dated October 6, 1996 between Katz Communications, Inc. ("KCI") and Spanish Broadcasting System, Inc. ("SBS")**

Dear Stu:

Today you informed SBS that in connection with the merger of the Heftel Stations and Tichenor Stations, KCI desires to represent and is contemplating representing all of the Heftel Stations including Hispanic language stations serving the New York, Los Angeles, Miami and Key Largo markets ("Markets").

SBS hereby reminds KCI of KCI's agreement under the Letter Agreement not to represent any Hispanic language radio stations in the Markets without SBS' prior written consent. SBS desires to achieve the full benefit of its agreement with KCI and will not, at this time, consent to any representation by KCI of the Heftel Hispanic language stations in the Markets.

In the event that KCI goes forward with the representation of the Heftel Hispanic language stations in the Markets, such representation would be without SBS' consent and SBS shall pursue all remedies available to SBS.

Very truly yours,

A handwritten signature in black ink, appearing to be "RA/lhb", written over a horizontal line.

RA/lhb



New York



Los Angeles



Miami



Key Largo



Corporate Headquarters  
26 West 56th Street  
New York, New York 10019  
212/541-9200  
Telefax 212/541-6904

December 19, 1996

Raúl Alarcón Jr.  
President

Hefel Broadcasting Corporation  
6767 W. Tropicana Avenue  
Suite 102  
Las Vegas, Nevada 89103  
Attn: Mr. John Kendrick

**By Fed/X and Facsimile**

Gentlemen/Ladies,

We have learned through Katz Communications, Inc. that Hispanic language radio stations owned by Hefel and serving, among others, the New York, Los Angeles, Miami and Key Largo markets are negotiating to enter into representation agreements with Katz.

Please be advised that pursuant to a series of agreements made as of September 27, 1993, as amended, Katz agreed with Spanish Broadcasting System and certain of its stations ("SBS") not to represent any other Hispanic language stations serving the New York, Los Angeles, Miami and Key Largo markets, except with SBS' written consent, which has never been given.

Should Hefel or related stations enter into agreements with Katz by which Katz violates its obligation of exclusivity, SBS intends to pursue its remedies against all responsible parties vigorously and to the fullest extent permitted by law.

Very truly yours,

RA/lhb

cc: Morrison Cohen Singer & Weinstein (attention: Deborah E. Lans, Esq.)

**SuperKQ**  
620

New York

**mefta**  
97.9

Los Angeles

**KRAX**  
97.9

**KRAX**  
LA X 97.9 FM

**CMQ**  
120 AM

Miami

**WFLA**  
82

**Stereo Fiesta**  
103.9 FM

Key Largo



Corporate Headquarters  
26 West 56th Street  
New York, New York 10019  
212/541-9200  
Telefax 212/541-6904

December 19, 1996

Raúl Alarcón Jr.  
President

Mr. Stuart Olds  
Katz Communications, Inc.  
125 West 55th Street  
New York, NY 10019

Via: Hand Delivery/Facsimile

Dear Stu,

As a result of our conversations on December 16, 1996 and today, and certain other information which has come to our attention, we have come to believe that notwithstanding the obligations of exclusivity of the various agreements between SBS and Katz, Katz intends to enter into representation agreements with Hefel Hispanic language stations serving the New York, Los Angeles, Miami and Key Largo markets, among others.

As we have discussed, such conduct would, among other things, be a breach of our agreements and would cause us substantial damage. I hope you have rethought your position and intentions as a result of our communications. Please furnish me your assurance, in writing, by the close of business Friday December 20, 1996 that Katz will not enter into any such new representation agreements, failing which SBS will have no alternative but to pursue its remedies including for injunctive relief.

Very truly yours,

RA/lhb

cc: Morrison Cohen Singer & Weinstein (attention: Deborah E. Lans, Esq.)



New York



Los Angeles



Miami



Key Largo

**KATZ  
RADIO  
GROUP**

A DIVISION OF KATZ COMMUNICATIONS INC.

Stu Olds  
PRESIDENT

December 20, 1996

Mr. Raul Alarcon, Jr.  
Vice President  
Spanish Broadcasting System  
26 West 56th Street  
New York, New York 10019

Dear Raul:

Re: Representation Agreements between Katz Communications and  
Spanish Broadcasting Systems of Florida, Inc. (WCMQ-AM)  
Spanish Broadcasting Systems of Florida, Inc. (WCMQ-FM)  
Spanish Broadcasting Systems of New York, Inc. (WSKQ-FM)  
Spanish Broadcasting System of Florida, Inc. (WZMQ-FM)  
Spanish Broadcasting System, Inc. (WSKQ-AM)  
Spanish Broadcasting System of California, Inc. (KXED-AM)  
Spanish Broadcasting System of California, Inc. (KLAX-FM)  
(the "Stations")

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Dear Mr. Alarcon:

This letter is formal written notice that each of the above entities has knowingly and deliberately defaulted under the respective Representation Agreements with Katz Communications, Inc. ("Katz") and that such defaults have been ongoing and continue. Since inception, each of the above-captioned radio Stations has been in default in the payment of commissions to Katz by failing to pay commissions to Katz on amounts collected for National Broadcast Advertising broadcast on the Stations. The commission payments have been deliberately delayed, withheld or not made since inception of the contracts.

125 West 56th Street  
New York, NY 10019-6966

Tel: (212) 424-6780  
Fax: (212) 424-6491

Mr. Raul Alarcon  
December 20, 1996  
Page Two

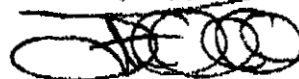
Pursuant to a master agreement dated September 20, 1993, you agreed to grant Katz the right to represent stations you acquire. You have acquired WPAT-FM, but have failed or refused to enter into an agreement granting Katz the right to represent such station. Katz, acting in good faith, has sold advertising time for WPAT-FM. You accepted the contracts obtained by Katz, but have failed to pay Katz commission thereon and have failed and refused to enter into a representation agreement.

In addition, Katz has learned that the above-captioned Stations have a continuous ongoing pattern of diverting National Broadcast Advertising from Katz and selling direct to advertisers and advertising agencies in violation of the Representation Agreements and have failed to pay commissions to Katz since inception of the contracts on National Broadcast Advertising sold direct by the Stations. These diversions, in addition to being flagrant violations of the contracts, also may constitute fraud. The amount of commissions that has been diverted from Katz as a result of these actions by the Stations is very substantial and the exact amount will be determined in discovery in the legal action which will be commenced by Katz against the Stations to recover all commissions properly due and owing to Katz by the Stations.

Under the circumstances, we are hereby notifying you that Katz is terminating all of the contracts for cause and will discontinue representing the above-captioned radio Stations on February 28, 1997. This should give you more than ample time to obtain other representation for the Stations.

Katz reserves all rights and remedies to obtain redress for the damages it has suffered as a result of your wrongful behavior, breach of contract, failure to pay commissions, deception and possible fraud. The termination of the contracts does not constitute an election of remedies by Katz. Demand is also hereby made for all commissions due and past due together with commissions on diverted business.

Very truly yours,



sm

cc: Chuck Burton





Corporate Headquarters  
26 West 56th Street  
New York, New York 10019  
212/541-9200  
Telefax 212/541-6904

December 27, 1996

Raúl Alarcón Jr.  
President

Mr. Stuart Olds  
Katz Communications, Inc.  
125 West 55th Street  
New York, NY 10019

**By Hand Delivery**

Dear Stu:

In regard to your letter of December 20, 1996, enclosed is a check for \$25,453.55 for advertising time you sold for WPAT-FM. You have never requested a formal representation agreement but we have always, and still remain, open to negotiating an agreement, if you are now interested.

Obviously, however, you have no intention of continuing to represent us after February 28, 1997. Clearly your interests now lie with Heftel. As you know, this representation would be a clear breach of our agreements which require one year's notice, and only after September 27, 1997. Your apparent "cause" for terminating our agreements are general allegations which we do not understand, which you certainly never raised with us until now, and which, in any event, we believe to be factually inaccurate.

We remain open to discussing these issues with you further. Otherwise, we intend to hold you to the letter of our agreements and to take whatever legal action is necessary to do so.

Very truly yours,

RA/lhb



New York



Los Angeles



Miami



Key Largo

REF #	INVOICE #	DATE	INVOICE AMOUNT	AMOUNT PAID	DISCOUNT	NET
7164	122696	12/26/96	25,453.55	25,453.55		10369
TRX DESCRIPTION: Pyt/April 96 To Nov 30, 96						25,453.55

-----  
\$25,453.55

DETACH UPPER PORTION AND RETAIN FOR YOUR RECORDS

10369

**SBS OF GREATER N.Y., INC.**  
26 W. 56TH STREET, NEW YORK, N.Y. 10019

\*\*\*\*\*25,453 DOLLARS AND 55 CENTS

DATE

CHECK NO.

AMOUNT

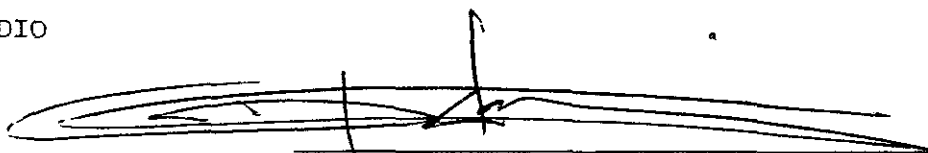
12/26/96

10369 S\*

\*\*\*25,453.55

PAY TO THE ORDER OF  
KATZ HISPANIC RADIO

THE CHASE MANHATTAN BANK, N.A.  
100 W. 57TH ST. & AVENUE OF THE AMERICAS  
NEW YORK, NY 10019  
1-2/210



AUTHORIZED SIGNATURE

VOID AFTER 90 DAYS

⑈010369⑈ ⑆021000021⑆ 013 1 293607⑈

# KATZ RADIO GROUP

A DIVISION OF KATZ COMMUNICATIONS INC.

125 West 56th Street  
New York, NY 10019-5966

Tel: (212) 424-6000  
Fax: (212) 424-6491

December 27, 1996

Mr. Raul Alarcon, Jr.  
President  
Spanish Broadcasting System  
26 West 56th Street  
New York, New York 10019

Dear Mr. Alarcon:

Your letter to Stu Olds dated December 27, 1996 was received today. Mr. Olds is on holiday with his family and will return to the office on January 6, 1997. He will respond to your letter upon his return.

Very truly yours,



Harriet Salk  
Katz Radio Group

NEW YORK  
ATLANTA  
BOSTON  
CHICAGO  
DALLAS  
DETROIT  
HOUSTON  
LOS ANGELES  
MINNEAPOLIS  
PHILADELPHIA  
PORTLAND  
ST. LOUIS  
SAN FRANCISCO  
SEATTLE

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### SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement  
☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))  
☒ Definitive Proxy Statement  
☐ Definitive Additional Materials  
☐ Soliciting Material Pursuant to §240.14a-12

### HISPANIC BROADCASTING CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- ☒ No fee required  
☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

- ☐ Fee paid previously with preliminary materials.  
☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

- (7) Includes 37,000 vested but unexercised stock options for shares of Class A Common Stock.
- (8) Includes 23,000 vested but unexercised stock options for shares of Class A Common Stock.
- (9) Includes 4,000 shares owned by the reporting person's spouse and children (the reporting person disclaims beneficial ownership of these shares) and 37,000 vested but unexercised stock options for shares of Class A Common Stock.
- (10) Includes 165,332 vested but unexercised stock options for shares of Class A Common Stock.
- (11) Includes 91,760 vested but unexercised stock options for shares of Class A Common Stock.

As of the Record Date, Clear Channel and its affiliates owned no shares of Class A Common Stock. However, Clear Channel and its affiliates owned all of the outstanding shares of the Company's Class B Common Stock (28,312,940 shares), which accounted for approximately a 26.1% interest in the Common Stock of the Company.

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### PROPOSAL ONE ELECTION OF DIRECTORS

Five directors, constituting the entire Board of Directors, are to be elected at the Annual Meeting to hold office until the next Annual Meeting of Stockholders or until their respective successors have been elected and shall qualify. The Board of Directors has designated McHenry T. Tichenor, Jr., McHenry T. Tichenor, Robert W. Hughes, James M. Raines and Ernesto Cruz as nominees, each of whom currently serves as a member of the Board of Directors. It is the intention of the persons named in the enclosed proxy to vote the shares covered by each proxy for the election of all the nominees named above. Although the Board of Directors does not anticipate that any nominees will be unavailable for election, in the event of such occurrence the proxies will be voted for such substitute, if any, as the Board of Directors may designate. There is no cumulative voting for the Board of Directors.

The Board of Directors recommends that each holder of Class A Common Stock vote "FOR" the election of each of the nominees listed above.

### DIRECTORS, NOMINEES FOR DIRECTOR AND EXECUTIVE OFFICERS

The following table sets forth information concerning the executive officers of the Company and the current directors (representing all nominees for director):

Name	Position with Company	Age
McHenry T. Tichenor, Jr.	Chairman of the Board, President and Chief Executive Officer	46
Jeffrey T. Hinson	Senior Vice President, Chief Financial Officer and Treasurer	47
Gary B. Stone	Senior Vice President and Chief Operating Officer	50
McHenry T. Tichenor	Director	69
Robert W. Hughes	Director	66
James M. Raines	Director	62
Ernesto Cruz	Director	47

McHenry T. Tichenor, Jr. has been the Chairman of the Board, President, Chief Executive Officer, and a director of the Company since February 14, 1997. From 1981 until February 14, 1997, Mr. Tichenor was the President, Chief Executive Officer, and a director of Tichenor Media System, Inc. ("Tichenor Media"). McHenry T. Tichenor, Jr. is the son of McHenry T. Tichenor.

Jeffrey T. Hinson has served as the Senior Vice President and Chief Financial Officer of the Company since February 14, 1997. From October 1995 until February 14, 1997, Mr. Hinson served as the Chief Financial Officer, Treasurer, and a director of Tichenor Media.

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Gary B. Stone has served as the Senior Vice President and Chief Operating Officer of the Company since March 1, 2001 and Vice President and General Manager of the Los Angeles and Houston radio stations. Mr. Stone previously served as a Vice President with Tichenor Media and started his career with Tichenor in 1985.

McHenry T. Tichenor has been a director and an employee of the Company since February 14, 1997. From 1981 until February 14, 1997, Mr. Tichenor served as the Vice Chairman and a director of Tichenor Media. McHenry T. Tichenor is the father of McHenry T. Tichenor, Jr.

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Mr. Hughes became a director of the Company on February 14, 1997. Mr. Hughes is Chairman of Prime Management Group in Austin, Texas. In that capacity, he also serves as Chairman of Prime New Ventures and Prime II Investments and has served in such positions for more than five years. Mr. Hughes also serves as Chairman of Grande Communications. For the past 34 years, he has primarily been involved in the cable television industry.

Mr. Raines became a director of the Company on August 5, 1996. Mr. Raines is the President of James M. Raines & Company, a private investment firm, and has served in such position for more than five years. Mr. Raines serves on the Board of Directors of Waddell & Reed Financial, Inc.

Mr. Cruz became a director of the Company on August 5, 1996. Mr. Cruz is a Managing Director of Credit Suisse First Boston, Inc. and has served in this position for more than five years. Mr. Cruz is also head of global equity capital markets of Credit Suisse First Boston, Inc. Mr. Cruz serves on the Group Executive Board of Credit Suisse First Boston, Inc.

#### INFORMATION CONCERNING THE BOARD OF DIRECTORS AND CERTAIN COMMITTEES THEREOF

The Board of Directors has an Audit Committee and a Compensation Committee. The Audit Committee operates pursuant to its charter adopted in 2000. The members of the Audit Committee are Messrs. Hughes (Chairman), Cruz and Raines. During the year, the Board of Directors examined the composition of the Audit Committee in light of the adoption by the New York Stock Exchange of new rules governing audit committees. Based upon this examination, the Board of Directors confirmed that all members of the Audit Committee are "independent" within the meaning of the NYSE's new rules. The Audit Committee held six meetings during the year ended December 31, 2001.

The members of the Compensation Committee are Messrs. Cruz (Chairman), Hughes and Raines. The functions of the Compensation Committee are to (i) approve policies, plans and performance criteria concerning the salaries, bonuses and other compensation of the executive officers of the Company, (ii) review and approve the salaries, bonuses and other compensation of the executive officers of the Company, (iii) review the compensation programs for other key employees, including salary and cash bonus amounts, (iv) establish and review policies regarding executive officer perquisites, (v) engage experts on compensation matters, if and when the members of the Compensation Committee deem it proper or advisable to do so, and (vi) perform such other duties as shall from time to time be delegated by the Board of Directors. The Compensation Committee held three meetings during the year ended December 31, 2001.

The Board of Directors held a total of five meetings during the last fiscal year. Each incumbent director who was a director of the Company during the year ended December 31, 2001, attended more than 75% of the aggregate number of meetings of the Board of Directors and the committees of which they were members that were held during the period such director was a member of the Board of Directors.

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#### EXECUTIVE COMPENSATION AND OTHER MATTERS

##### Summary Compensation Table

The following table sets forth information concerning the compensation of each individual who served as Chief Executive Officer during the year ended December 31, 2001, and each of the other executive officers whose total cash compensation exceeded \$100,000 for services rendered in all capacities for the year ended December 31, 2001 (the "Named Executive Officers"):

Annual Compensation

Long-Term Compensation

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Market on January 3, 1997.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

\*\*\*\*\*  
 INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A  
 \* \* REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED \*  
 \* WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY  
 NOT \* \* BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE \*  
 \* REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT \*  
 \* CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY \* \*  
 NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH \* \*  
 SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO \* \*  
 REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH \* \*  
 STATE. \* \* \*

# **SUBJECT TO COMPLETION**

JANUARY 10, 1997

**3,850,000 SHARES**

**HEFTEL BROADCASTING CORPORATION**

**[HBC LOGO]  
 CLASS A COMMON STOCK**

Of the 3,850,000 shares of Class A Common Stock offered hereby, 3,500,000 are being sold by HefTel Broadcasting Corporation (the "Company") and 350,000 shares are being sold by Clear Channel Communications, Inc. ("Clear Channel"). See "Selling Shareholder." The Company will not receive any of the proceeds from the sale of shares by Clear Channel. The Class A Common Stock of the Company is traded on the Nasdaq National Market under the symbol "HBCCA." On January 8, 1997, the last reported sale price of the Class A Common Stock was \$32.625 per share. See "Price Range of Class A Common Stock."

The Company's authorized capital stock currently includes Class A Common Stock, Class B Common Stock and Preferred Stock. The rights of holders of Class A Common Stock and Class B Common Stock are identical, except currently each share of Class B Common Stock generally entitles its holder to ten votes and each share of Class A Common Stock entitles its holder to one vote. There are no

In addition to the other information contained or incorporated herein by reference in this Prospectus, the following risk factors should be considered carefully in evaluating an investment in the Class A Common Stock offered by this Prospectus.

**Recent Change of Control.** On August 5, 1996, Clear Channel acquired a controlling interest in the Company and replaced the previous Board of Directors with its own slate of directors. The new management team of the Company may have different operating and strategic philosophies than its predecessor which may take time to integrate into the existing business. There can be no assurance that such integration will not adversely affect the operations of the Company.

**Tichenor Merger.** Consummation of the Tichenor Merger is subject to numerous conditions, including without limitation, the approval by the existing holders of the Company's Class A Common Stock with respect to certain matters related to the Tichenor Merger and the non-occurrence of any material adverse event with respect to the Company or Tichenor. See "The Tichenor Merger." Therefore, there can be no assurance that the Tichenor Merger will be consummated in a timely manner or on the terms described herein, if at all.

**Antitrust Matters.** An important element of the Company's growth strategy involves the acquisition of additional radio stations, most of which are likely to require preacquisition antitrust review by the FTC and the Antitrust Division. Following passage of the Telecommunications Act of 1996 (the "1996 Act"), the Antitrust Division has become more aggressive in reviewing proposed acquisitions of radio stations and radio station networks, particularly in instances where the proposed acquiror already owns one or more radio stations in a particular market and the acquisition involves another radio station in the same market. Recently, the Antitrust Division has obtained consent decrees requiring an acquiror to dispose of at least one radio station in a particular market where the acquisition otherwise would have resulted in a concentration of market share by the acquiror. Although the Antitrust Division reviewed the antitrust implications of the Tichenor Merger and decided not to undertake any enforcement action, there can be no assurance that the Antitrust Division or the FTC will not seek to bar the Company from acquiring additional radio stations in a market where the Company's existing stations already have a significant market share.

**Concentration of Cash Flow from Los Angeles Stations.** Broadcast cash flow generated by the Company's Los Angeles stations accounted for approximately 68% of the Company's broadcast cash flow for the year ended September 30, 1996. On a pro forma basis, assuming the Tichenor Merger had occurred on October 1, 1995, the Company's Los Angeles stations would have accounted for 46% of the Company's broadcast cash flow for the year ended September 30, 1996. Increased competition for advertising dollars with other radio stations and communications media in the Los Angeles metropolitan area, both generally and relative to the broadcasting industry, increased competition from a new format competitor and other competitive and economic factors could cause a decline in revenue from the Company's Los Angeles stations. A significant decline in the revenue of the Los Angeles stations could have a material adverse effect on the Company's overall results of operations and broadcast cash flow.

**Financial Leverage; Pledge of Assets.** After giving effect to the Offering (at an assumed offering price of \$32.625 per share) and application of the net proceeds therefrom as set forth in "Use of Proceeds" and the consummation of the Tichenor Merger, the Company's total debt, excluding other non-current obligations, would have been approximately \$98.7 million at September 30, 1996. There can be no assurance that the Company will have sufficient cash flow to satisfy its future debt service



Hispanic Market Study; Duncan's Radio Market Guide (1996 Edition); Hispanic Business (December 1995); Market Segment Research, Inc., and Paul Kagan Associates, Inc.

## MANAGEMENT

### MANAGEMENT OF COMPANY FOLLOWING THE TICHENOR MERGER

Upon consummation of the Tichenor Merger, the Company will enter into a five year employment contract with McHenry Tichenor, Jr. to serve as the Company's President and Chief Executive Officer (the "Employment Agreement"). Mr. Tichenor, 41, has been the President and Chief Executive Officer and a director of Tichenor since 1981. The Employment Agreement provides for an annual salary of \$260,000 plus incentive compensation as determined by the Compensation Committee of the Company's Board of Directors. Upon termination by the Company without cause or by Mr. Tichenor for good reason, the Company shall be obligated to pay to Mr. Tichenor a lump sum amount equal to the estimated payments of salary and bonus remaining through the end of the term of the agreement. Furthermore, the Employment Agreement provides that Mr. Tichenor agrees not to compete with the Company for a period of one year following the date the Employment Agreement is terminated.

Tichenor has indicated to the Company that, in addition to McHenry Tichenor, Jr., the following individuals will serve as executive officers of the Company following the consummation of the Tichenor Merger:

David L. Lykes. Mr. Lykes, 61, is Senior Vice President and a Director of Tichenor. Mr. Lykes began his career at Tichenor in 1958. Mr. Lykes is responsible for the day-to-day operation of Tichenor's stations.

Jeffrey T. Hinson. Mr. Hinson, 41, joined Tichenor as Chief Financial Officer, Treasurer, and a Director in October 1995. From October 1991 to October 1995, Mr. Hinson was President of Alliance Investors Holdings, Ltd., a privately-held merchant bank located in Houston, Texas. For two years prior to joining Tichenor, Mr. Hinson acted as a consultant for Tichenor.

Ricardo del Castillo. Mr. Castillo, 50, has been Vice President of Operations of Tichenor since 1988 and became a director of Tichenor in February 1989.

The Tichenor Merger Agreement also provides that following the consummation of the Tichenor Merger, five designees of Tichenor shall constitute the entire Board of Directors of the Company. Tichenor has informed the Company that its designees are:

McHenry T. Tichenor, Jr. Mr. Tichenor, 41, has been the President and Chief Executive Officer and a director of Tichenor since 1981.

McHenry T. Tichenor, Sr. Mr. Tichenor, 64, is the Vice Chairman and a Director of Tichenor and has served as the Vice Chairman and a Director of Tichenor since 1981. McHenry T. Tichenor, Sr. is the father of McHenry T. Tichenor, Jr.

Robert W. Hughes. Mr. Hughes, 61, is Chairman of the Prime Management Group, Austin, Texas. In that capacity, he also serves as Chairman of Prime Cable, Prime Video, Prime Venture I and Prime New Venture Management. Mr. Hughes serves on the Board of Directors of Atlantic Cellular, Providence, R.I. and Hawaiian Wireless, Honolulu, Hawaii. For the past 28 years, he has primarily

been involved in the cable television industry. He served as Chairman of the National Cable Television Association in 1978-79.

James M. Raines. Mr. Raines became a director of the Company on August 5, 1996. Mr. Raines has been the President of James M. Raines & Company for more than five years. Mr. Raines also serves as a director of 50-OFF Stores, Inc.

Ernesto Cruz. Mr. Cruz became a director of the Company on August 5, 1996. Mr. Cruz has been a Managing Director of Credit Suisse First Boston Corp. for more than five years.

## CURRENT EXECUTIVE OFFICERS AND DIRECTORS

The current directors and executive officers of the Company are as follows:

NAME	AGE	POSITION
L. Lowry Mays (1)	61	President, Chief Executive Officer
John T. Kendrick	44	Senior Vice President and Chief Financial Officer
Ernesto Cruz (1)	42	Director
B. J. McCombs	68	Director
James M. Raines (1) (2)	56	Director
John H. Williams (2)	62	Director

(1) Member of the Compensation Committee.

(2) Member of the Audit Committee.

All directors hold office until the annual meeting of stockholders next following their election, or until their successors are elected and qualified. Officers are elected annually by the Board of Directors and serve at the discretion of the Board.

The Board has two committees, the Compensation Committee and the Audit Committee. The basic function of the Compensation Committee is to determine stock option grants to executive officers and other key employees, as well as to review salaries, bonuses, and other elements of compensation of executive officers and other key employees and make recommendations on such matters to the full Board of Directors. The basic function of the Audit Committee is to review the financial statements of the Company, to consult with the Company's independent auditors and to consider such other matters with respect to the internal and external audit of the financial affairs of the Company as may be necessary or appropriate in order to facilitate accurate financial reporting.

Information with respect to the business experience and affiliations of the current directors, other than for Messrs. Raines and Cruz (who will remain directors after completion of the Tichenor Merger), and executive officers of the Company is set forth below.

Mr. Mays became President, Chief Executive Officer and director of the Company on August 5, 1996.

## Second Quarter

As mentioned earlier, second quarter results were excellent. On a same-station basis, the company reported an 18% increase in revenues and a 37% increase in cash flow. Including all stations, even under prior ownership, these numbers were a more reasonable 13% increase in revenues and a 24% increase in broadcast cash flow. The company produced these results on the back of excellent ratings momentum in all markets, strict cost discipline, and a strong selling effort.

The company's net sales of almost \$38 million outstripped our \$35 million estimate. This growth in revenues was the result of a particularly strong sales effort in all markets. Relative to the markets Heftel operates in, the company grew revenues 20% quicker than the general market. Excluding New York, where Heftel is impaired by competing on the AM dial against FM competitors, the company grew revenues 50% faster than the markets in which it operates.

On the cost side, HBCCA took a hard line, resulting in a 40% broadcast cash flow margin. Both interest expense and depreciation and amortization were right in line with expectations, but reported taxes were lower. We have been operating under the assumption that the company would have a rather large deferred tax buildup in each of the 1997 quarters and into 1998. In reality, the company has been able to utilize \$19 million of its roughly \$40 million net operating losses (NOLs), resulting in a lower reported tax rate. The ultimate result is to increase reported earnings, without changing after-tax cash flow.

## The Rocket

Heftel's stock and its chart are very reminiscent of a rocket launch. From the day people realized that CCU was going to keep the company public, the issue has been on a roll. With the recent announcement of earnings, the stock took off like a jumpy cat, rising to over \$70 per share at one point in the session. One wonders just what could cause such a gap up.

We feel that there are only a few explanations for this: tremendous outperformance and therefore large upward estimate revisions, the possibility of a takeout, the possibility of the company making a large acquisition, a large buyer and a lack of float, or true believers. We feel that the last two are the likely suspects.

The company showed excellent growth and beat analyst expectations, but not by a tremendous amount. After-tax cash flow estimates might go up 1% or 2%, but this hardly justifies a 10-15% move in the stock. In terms of acquisitions, management and Clear Channel control both the stock and the board and neither are selling. The company is not likely to pay Raul Alarcon the \$750 million to \$900 million he wants for Spanish Broadcasting just to get two FMs in New York and rid itself of competition in Los Angeles, Miami, and Chicago.

That leaves the last two points: The company has less than \$500 million of float theoretically outstanding, but if one takes out the true long-term holders, of which there are many, the true float probably drops below \$300 million. Any large buy or sell order is likely to move the market sharply as traders extract their pound and a half of flesh. There are definitely true believers in the Spanish format in the investment community, and any one of these converts might have been buying stock up to \$70. It is our viewpoint that the increased awareness of the Hispanic media, brought about by the potential sale of Telemundo, the excellent job that Univision has done, the impending IPO of TV Azteca, and the CCU investment in Heftel have all contributed to excitement surrounding what has to be the best pure play in Spanish media. That, coupled with a small float, and an exuberant market, all lead to the large moves we have seen in the stock.

## **Table of Contents**

substantially all of our existing assets. In addition, a breach of certain of these restrictions or covenants, or an acceleration by our senior secured lenders of our obligations to them, would cause a default under the Notes. We may not have, or be able to obtain, sufficient funds to make accelerated payments, including payments on the Notes, or to repay the Notes in full after we pay our senior secured lenders to the extent of their collateral.

### ***Univision has significant influence over our business.***

Univision, as the holder of all of our Class C common stock, has significant influence over material decisions relating to our business, including the right to elect two of our directors, and the right to approve material decisions involving our company, including any merger, consolidation or other business combination, any dissolution of our company and any transfer of the FCC licenses for any of our Univision-affiliated television stations. Univision's ownership interest may have the effect of delaying, deterring or preventing a change in control of our company and may make some transactions more difficult or impossible to complete without its support.

### ***Our television ratings and revenue could decline significantly if our relationship with Univision or if Univision's success changes in an adverse manner.***

If our relationship with Univision changes in an adverse manner, or if Univision's success diminishes, it could have a material adverse effect on our ability to generate television advertising revenue on which our television business depends. Univision's ratings might decline or Univision might not continue to provide programming, marketing, available advertising time and other support to its affiliates on the same basis as currently provided. Additionally, by aligning ourselves closely with Univision, we might forego other opportunities that could diversify our television programming and avoid dependence on Univision's television networks. Univision's relationships with Grupo Televisa, S.A. de C.V. and Corporacion Venezolana de Television, C.A., or Venevision, are important to Univision's, and consequently our, continued success.

### ***Our ongoing success is dependent upon the continued availability of certain key employees.***

We are dependent in our operations on the continued availability of the services of our employees, many of whom are individually key to our current and future success, and the availability of new employees to implement our company's growth plans. In particular, we are dependent upon the services of Walter Ulloa, our Chairman and Chief Executive Officer, and Philip Wilkinson, our President and Chief Operating Officer. In August 2000, we entered into five-year employment agreements with Messrs. Ulloa and Wilkinson. The market for skilled employees is highly competitive, especially for employees in technical fields. While our compensation programs are intended to attract and retain the employees required for us to be successful, there can be no assurance that we will be able to retain the services of all of our key employees or a sufficient number to execute our plans, nor can there be any assurances that we will be able to continue to attract new employees as required.

### ***Our officers and directors and stockholders affiliated with them own a large percentage of our voting stock.***

As of December 31, 2001, Messrs. Ulloa and Wilkinson, and Paul Zevnik, our Secretary, own all of the shares of our Class B common stock, and have approximately 75% of the combined voting power of our outstanding shares of common stock. The holders of our Class B common stock are entitled to ten votes per share on any matter subject to a vote of the stockholders. Accordingly, Messrs. Ulloa, Wilkinson and Zevnik have the ability to elect each of the remaining members of our board of directors, other than the two members of our board of directors appointed by Univision, and have control of all aspects of our business and future direction. Messrs. Ulloa, Wilkinson and Zevnik have agreed contractually to elect themselves and a representative of TSG Capital Fund III, L.P. as directors of our company. This control may discourage certain types of transactions involving an actual or potential change of control of our company, such as a merger or sale of our company.

Consequently, our directors and executive officers, acting in concert, have the ability to significantly affect the election of our directors and have a significant effect on the outcome of corporate actions requiring stockholder approval. Such concentration may also have the effect of delaying or preventing a change of control of our company.

Table of Contents**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-K**☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2001

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-15997

**ENTRA VISION COMMUNICATIONS CORPORATION**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)95-4783236  
(I.R.S. Employer  
Identification No.)2425 Olympic Boulevard, Suite 6000 West  
Santa Monica, California 90404  
(Address of principal executive offices, including Zip Code)

Registrant's telephone number, including area code: (310) 447-3870

## Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Class A Common Stock

New York Stock Exchange

## Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

The aggregate market value of voting stock held by non-affiliates of the registrant as of March 21, 2002 was approximately \$671,653,041 (based upon the closing price for shares of the registrant's Class A common stock as reported by

# LEHMAN BROTHERS

June 9, 1999

Mr. Raul Alarcon, Jr.  
President and Chief Executive Officer  
Spanish Broadcasting System, Inc.  
3191 Coral Way, Suite 805  
Miami, FL 33145

Dear Sirs:

This letter agreement (this "Engagement Letter") will confirm the understanding and agreement between Lehman Brothers Inc. ("Lehman Brothers") and Spanish Broadcasting System, Inc. ("SBS" or the "Company"), as follows:

1. The Company hereby engages Lehman Brothers for the purpose of providing financial advisory services to the Company in connection with (i) the strategic development of the Company's business, including general advice with respect to the Company's capital structure or other corporate transactions which the Company is currently contemplating entering into or which it may consider at a future date, (ii) an initial public offering of equity securities by the Company, and (iii) advising the Company on opportunities for raising private equity, structuring a joint venture or arranging a strategic investment in or the sale or merger of the Company.
2. The Company agrees that during the term of this Engagement Letter:
  - (i) Lehman Brothers shall have the right to act as lead bookrunning manager for any initial public offering of the Company's equity securities (the "IPO Transaction"). In the event that Lehman Brothers executes the IPO Transaction, Lehman Brothers shall be paid customary fees, not to exceed 7.0%, (the "IPO Gross Spread") at closing.
  - (ii) Lehman Brothers shall have the right to act as lead manager or initial purchaser for any public or 144A offering of debt securities (the "High Yield Transaction") on behalf of SBS. In the event that Lehman Brothers executes the High Yield Transaction, Lehman Brothers shall be paid customary fees, not to exceed 3.0% for senior subordinated notes or 3.5% for senior discount notes (zero coupon), (the "High Yield Gross Spread") at closing.
  - (iii) Lehman Brothers shall act as sole dealer/manager in a tender offer or bond consent solicitation, subject to entering into a dealer/manager agreement in customary form, and shall receive customary fees, not to exceed 0.5%, (the "Liability Management Fee"), unless Lehman Brothers executes a High Yield Transaction to refinance the Company's existing debt and in such case agrees to waive the Liability Management Fee.
  - (iv) Lehman Brothers shall have the right to arrange any syndicated bank loan financing (the "Syndicated Bank Loan Transaction") on behalf of the Company. In the event that

Lehman Brothers agrees to participate in the Syndicated Bank Loan Transaction, Lehman Brothers shall be paid customary fees, not to exceed 2.0%, (the "Syndicated Bank Loan Fee") at closing.

- (v) Except with respect to transactions involving those parties listed on Schedule I hereto or as otherwise described on Schedule I hereto, Lehman Brothers shall have the right to act as sole placement agent for any private equity financing on behalf of the Company or as a financial advisor for any joint venture, strategic investment in or sale or merger of the Company. In the event that Lehman Brothers acts as sole placement agent for any private equity financing on behalf of the Company or as a financial advisor for any joint venture, strategic investment in or sale or merger of the Company, Lehman Brothers shall be paid a success fee (the "Success Fee") based on the following scale of total consideration:

<u>Total Consideration</u>	<u>Percentage</u>
Up to the first \$50 million	1.50%
Plus on the next \$200 million	0.75%
Plus on the next \$250 million	0.50%
Plus on the next \$500 million	0.40%
Plus on the amount over \$1 billion	0.30%

For illustrative purposes, the scale above would result in the following indicated Success Fee for the corresponding transaction sizes:

<u>Transaction Size</u>	<u>Success Fee</u>	
	<u>Amount</u>	<u>Percentage</u>
\$50 million	\$750,000	1.50%
\$150 million	\$1,500,000	1.00%
\$250 million	\$2,250,000	0.90%
\$500 million	\$3,500,000	0.70%
\$1,000 million	\$5,500,000	0.55%
\$1,500 million	\$7,000,000	0.47%

Compensation which is payable to Lehman Brothers pursuant to paragraph 2 shall be paid in cash by the Company to Lehman Brothers at the transaction closing.

If no transaction has closed or is in process by May 31, 2000, the Company agrees to pay Lehman Brothers a flat fee of \$500,000.

Notwithstanding the above or any oral representations or assurances previously or subsequently made by the parties, this Engagement Letter does not constitute a commitment by or obligation of Lehman Brothers to act as underwriter or placement agent in connection with any offering of securities or to provide any financing. Such a commitment on the part of Lehman Brothers will exist only upon the execution of a final, written underwriting or placement agent agreement or commitment letter or loan agreement, as the case may be, and then only in accordance with the terms and conditions thereof. In any event, Lehman Brothers may determine for any reason (including, without limitation, the results of its due diligence investigation, a material change in the Company's financial condition, business or prospects, the lack of appropriate internal Lehman Brothers committee approvals or then current market conditions) not to participate in such an offering of securities or provide any financing.

3. For purposes of this Engagement Letter:

- (a) A "sale" of the Company shall mean any transaction or series or combination of transactions, other than in the ordinary course of business, whereby, directly or indirectly, control of or a material interest in the Company or any of its businesses, or a material amount of any of their respective assets, is transferred for consideration, including, without limitation, by means of a sale or exchange of capital stock or assets, a merger or consolidation, a tender or exchange offer, a leveraged buy-out, a minority investment, the formation of a joint venture or partnership, or any similar transaction. "Sale" shall exclude any transaction for which Lehman Brothers could earn a fee under paragraph 2(i) or 2(ii) above.
- (b) "Consideration" shall mean the gross value of all cash, securities and other property paid directly or indirectly by an acquirer to a seller or sellers in connection with a sale of the Company (including without limitation all amounts paid or distributed by the Company to the holders of capital stock of the Company and all amounts paid, distributed or issued to the holders of convertible securities, options, warrants, stock appreciation rights or similar rights or securities in the Company in connection with such sale) or the gross value of all cash, securities and assets contributed by the Company or any other parties in the case of a sale of the Company involving a joint venture or strategic partnership. The value of any such securities (whether debt or equity) or other property shall be determined as follows: (i) the value of securities for which there is an established public market will be equal to the closing market price on the day of closing of such sale and (ii) the value of securities that have no established public market, and the value of consideration that consists of other property, shall be the fair market value thereof. Consideration also shall be deemed to include the aggregate principal amount of any indebtedness for money borrowed of the Company or its subsidiaries assumed, directly or indirectly, whether contractually or by operation of law, in connection with such sale of the Company. If the consideration to be paid is computed in any foreign currency, the value of such foreign currency for purposes hereof shall be converted into U.S. dollars at the prevailing exchange rate on the date or dates on which such consideration is paid. Consideration will exclude assumed debt in cases where the Company sells a minority equity interest to a third party and Raul Alarcon Jr. retains voting control.

4. The Company shall reimburse Lehman Brothers upon request for its reasonable expenses (including, without limitation, reasonable professional and legal fees and disbursements) incurred in connection with its engagement hereunder; provided, however, that the Company shall not reimburse Lehman Brothers for the fees and disbursements of outside counsel to Lehman Brothers in transactions which are consummated and Lehman Brothers receives fees pursuant to section 2 hereof.

5. The Company shall:

- (a) indemnify Lehman Brothers and hold it harmless against any and all losses, claims, damages or liabilities to which Lehman Brothers may become subject arising in any manner out of or in connection with the rendering of services by Lehman Brothers hereunder (including any services rendered prior to the date hereof) or the rendering of additional services by Lehman Brothers as requested by the Company that are related to the services rendered hereunder, unless it is finally judicially determined that such losses,



claims, damages or liabilities resulted directly from the gross negligence or willful misconduct of Lehman Brothers; and

- (b) reimburse Lehman Brothers promptly for any legal or other expenses reasonably incurred by it in connection with investigating, preparing to defend or defending, or providing evidence in or preparing to serve or serving as a witness with respect to, or otherwise relating to, any lawsuits, investigations, claims or other proceedings arising in any manner out of or in connection with the rendering of services by Lehman Brothers hereunder or the rendering of additional services by Lehman Brothers as requested by the Company that are related to the services rendered hereunder (including, without limitation, in connection with the enforcement of this Engagement Letter and the indemnification obligations set forth herein); provided, however, that in the event a final judicial determination is made to the effect specified in subparagraph 5(a) above, Lehman Brothers will remit to the Company any amounts reimbursed under this subparagraph 5(b).

The Company agrees that the indemnification and reimbursement commitments set forth in this paragraph 5 shall apply if either the Company or Lehman Brothers is a formal party to any such lawsuits, investigations, claims or other proceedings and that such commitments shall extend upon the terms set forth in this paragraph to any controlling person, affiliate, director, officer, employee or agent of Lehman Brothers (each, with Lehman Brothers, an "Indemnified Person"). No Indemnified Person shall enter into any settlement of a lawsuit, claim or other proceeding arising out of transactions for which such person may seek indemnification under this Engagement Letter without the prior approval of the Company (which shall not be unreasonably withheld). The Company further agrees that it will notify Lehman Brothers and seek the approval of Lehman Brothers (which shall not be unreasonably withheld) prior to entering into any settlement of a lawsuit, claim or other proceeding arising out of the transactions contemplated by this Engagement Letter.

If indemnification is to be sought hereunder by an Indemnified Person, then such Indemnified Person shall notify the Company of the commencement of any action or proceeding in respect thereof; provided, however, that the failure so to notify the Company shall not relieve the Company from any liability that it may have to such Indemnified Person pursuant to this paragraph 5 except to the extent the Company has been prejudiced in any material respect by such failure or from any liability that it may have to such Indemnified Person other than pursuant to this paragraph 5. Notwithstanding the above, following such notification, the Company may elect in writing to assume the defense of such action or proceeding, and, upon such election, it shall not be liable for any legal costs subsequently incurred by such Indemnified Person (other than reasonable costs of investigation and providing evidence) in connection therewith, unless (i) the Company has failed to provide counsel reasonably satisfactory to such Indemnified Person in a timely manner, (ii) counsel which has been provided by the Company reasonably determines that its representation of such Indemnified Person would present it with a conflict of interest or (iii) the Indemnified Person reasonably determines that there may be legal defenses available to it which are different from or in addition to those available to the Company. In connection with any one action or proceeding, the Company shall not be responsible for the fees and expenses of more than one separate law firm in any one jurisdiction for all Indemnified Person.

6. The Company and Lehman Brothers agree that if any indemnification or reimbursement sought pursuant to the preceding paragraph 5 is judicially determined to be unavailable for a

reason other than the gross negligence or willful misconduct of Lehman Brothers, then, whether or not Lehman Brothers is the Indemnified Person, the Company and Lehman Brothers shall contribute to the losses, claims, damages, liabilities and expenses for which such indemnification or reimbursement is held unavailable (i) in such proportion as is appropriate to reflect the relative benefits to the Company on the one hand, and Lehman Brothers on the other hand, in connection with the transactions to which such indemnification or reimbursement relates, or (ii) if the allocation provided by clause (i) above is judicially determined not to be permitted, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) but also the relative faults of the Company on the one hand, and Lehman Brothers on the other hand, as well as any other equitable considerations; provided, however, that in no event shall the amount to be contributed by Lehman Brothers pursuant to this paragraph exceed the amount of the fees actually received by Lehman Brothers hereunder.

7. Except as contemplated by the terms hereof or as required by applicable law or pursuant to an order entered or subpoena issued by a court of competent jurisdiction, Lehman Brothers shall keep confidential, and shall instruct its employees and advisors to keep confidential, this Engagement Letter together with all material non-public information provided to it by the Company, and shall not disclose such the same to any third party, other than such of its employees and advisors as Lehman Brothers determines to have a need to know in connection with providing services to the Company.
8. Except as required by applicable law or pursuant to an order entered or a subpoena issued by a court of competent jurisdiction, this Engagement Letter and any advice to be provided by Lehman Brothers under this Engagement Letter shall not be disclosed publicly or made available to third parties without the prior approval of Lehman Brothers, and accordingly such advice shall not be relied upon by any person or entity other than the Company.
9. The Company agrees that Lehman Brothers has the right to place advertisements in financial and other newspapers and journals at its own expense describing its services to the Company hereunder, provided that Lehman Brothers will submit a copy of any such advertisements to the Company for its approval, which approval shall not be unreasonably withheld.
10. The term of Lehman Brothers' engagement hereunder shall extend from the date hereof through May 31, 2000 or until terminated as set forth below. Subject to the provisions of paragraphs 2 (as amended by this paragraph 10) through 9 and paragraphs 11 through 14, which shall survive any termination of this Engagement Letter, either party may terminate Lehman Brothers' engagement hereunder at any time by giving the other party at least 10 days' prior written notice. If any of the transactions contemplated in paragraph 2(i) or 2(ii) of this Engagement Letter are consummated at any time during a period of 12 months following the effective date of termination or expiration of Lehman Brothers' engagement hereunder (other than a termination for the reasons specified in the next to last paragraph of this section 10), Lehman Brothers shall be entitled to a minimum fee of \$2 million; it being understood that (A) if multiple transactions or a combination of transactions are consummated as contemplated in either paragraph 2(i) or 2(ii) Lehman Brothers shall be entitled to a single minimum fee of \$2 million and (B) if Lehman Brothers receives fees as a participant in any of the transactions contemplated by paragraphs 2(i) or 2(ii), such fees shall constitute an offset against the minimum fee of \$2 million.

If, within 12 months after the termination of this Engagement Letter by the Company (other than a termination for the reasons specified in the next to last paragraph of this section 10), the Company enters into an agreement or letter of intent resulting in a joint venture, strategic investment or sale or merger of the Company with a party with which the Company had been in active negotiations or which had been introduced to the Company by Lehman Brothers prior to the termination of this Engagement Letter, Lehman Brothers shall be entitled to 50% of the fee specified in paragraph 2(v) which would have been payable to Lehman had the Engagement Letter not been terminated; provided, however, that Lehman Brothers shall not be entitled to any fee under this Engagement Letter if such joint venture strategic investment or sale or merger is consummated with any of the parties identified on Schedule I hereto unless such parties had been in active negotiations during Lehman Brothers engagement.

If Lehman Brothers terminates this engagement prior to May 31, 2000 for any reason, the Company shall have no obligation to pay Lehman Brothers any fees (other than fees already earned) under this Engagement Letter.

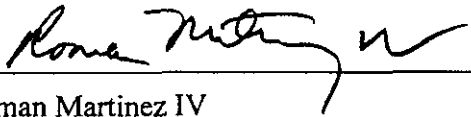
Other than as expressly provided in this paragraph 10 (which shall supersede paragraph 2 in the event of termination), the Company shall not be obligated to pay Lehman Brothers any fees (other than fees already earned) under this Engagement Letter after its termination.

11. The Company and Lehman Brothers each represent to the other that there is no other person or entity that is entitled to a finder's fee or any type of brokerage commission in connection with the transactions contemplated by this Engagement Letter as a result of any agreement or understanding with it.
12. Nothing in this Engagement Letter, expressed or implied, is intended to confer or does confer on any person or entity other than the parties hereto or their respective successors and assigns, and to the extent expressly set forth herein, the Indemnified Persons, any rights or remedies under or by reason of this Engagement Letter or as a result of the services to be rendered by Lehman Brothers hereunder. The Company further agrees that neither Lehman Brothers nor any of its controlling persons, affiliates, directors, officers, employees or agents shall have any liability to the Company or any person asserting claims on behalf of or in right of the Company for any losses, claims, damages, liabilities or expenses arising out of or relating to this Engagement Letter or the services to be rendered by Lehman Brothers hereunder, unless it is finally judicially determined that such losses, claims, damages, liabilities or expenses resulted directly from the gross negligence or willful misconduct of Lehman Brothers.
13. The invalidity or unenforceability of any provision of this Engagement Letter shall not affect the validity or enforceability of any other provisions of this Engagement Letter, which shall remain in full force and effect.
14. This Engagement Letter may not be amended or modified except in writing signed by each of the parties and shall be governed by and construed and enforced in accordance with the laws of the State of New York. The Company and Lehman Brothers hereby irrevocably and unconditionally consent to submit to the exclusive jurisdiction of the courts of the State of New York and of the United States District Courts located in the City of New York for any

lawsuits, actions or other proceedings arising out of or relating to this Engagement Letter and agree not to commence any such lawsuit, action or other proceeding except in such courts. SBS further agrees that service of any process, summons, notice or document by mail to its address set forth above shall be effective service of process for any lawsuit, action or other proceeding brought against it in any such court. The Company and Lehman Brothers hereby irrevocably and unconditionally waive any objection to the laying of venue of any lawsuit, action or other proceeding arising out of or relating to this Engagement Letter in the courts of the State of New York or the United States District Courts located in the City of New York, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such lawsuit, action or other proceeding brought in any such court has been brought in an inconvenient forum.

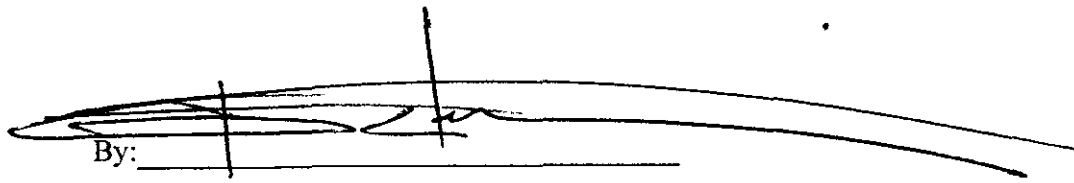
If the foregoing correctly sets forth the understanding and agreement between Lehman Brothers and the Company, please so indicate in the space provided for that purpose below, whereupon this letter shall constitute a binding agreement as of the date hereof.

LEHMAN BROTHERS INC.

By:   
Roman Martinez IV  
Managing Director

AGREED:

SPANISH BROADCASTING SYSTEM, INC.

  
By: \_\_\_\_\_  
Raul Alarcon, Jr.  
President and Chief Executive Officer